



CITY OF SAUSALITO

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November 8, 2011

Chair Jeffry Blanchfield and Members of the Commission
Marin Local Agency Formation Commission
555 Northgate Drive, #230
San Rafael, CA 94903

RE: Annexation of the City of Sausalito to the Southern Marin Fire Protection District (File #1304)

Dear Chairman Blanchfield and Members of the Commission:

The City of Sausalito has submitted an application to annex the City territory into the Southern Marin Fire Protection District for fire protection services. The City and District have been gradually integrating their respective fire services since 2003 with the intent of reaching a full merger, which is the purpose of this annexation application. It provides a more cost effective service for both the City and District residents.

Through the course of this process of preparing for a merger, the City has provided numerous opportunities for the public to learn about and to comment on the permanent merger of the City and District fire services, such as the letter you received from Mr. Mitchell. These opportunities have resulted in comments and questions that can be summarized into major themes and questions. We feel it would be helpful to the LAFCO Board if we provided this summary along with the information/response which may assist in clarifying questions you may have as well.

Role and Prudence of the Elected Fire District Board and Oversight of District Operations

Upon annexation, the District Board has committed to appoint two ad hoc Sausalito residents to the Board. Then when the four seats are open for district-wide election in 2013, Sausalito residents will be able to vote for candidates for all four seats. There has been some questions raised by a community member that many of the Board members have either previously worked in a fire department somewhere or have had relatives who were firefighters either for the District or other fire agencies. The concern has been that this relationship might result in higher wages and benefits for this District's personnel. In fact the District Board has approved reductions in pension and retiree health benefits for new hires and current District firefighters earn less than the average of other firefighters in the County. The District Board has been proactive in seeking shared relationships with neighboring fire agencies that will save the District money and has been fiscally prudent in building up a reserve of \$4,806,069 as of June 30, 2011.

The District Board has the responsibility to employ the Fire Chief and takes an active role in oversight of the operations. Using not only monthly meetings, but also a committee structure, the

Board is well informed on District operations. A concern has been voiced that the Sausalito Fire Department and the District Fire Chief will not have oversight from the City Manager following annexation. Presently the oversight is largely duplicated by the City Manager and the District Board, with the latter having the greater amount of time to devote to oversight. Oversight by the District Board has resulted in a cost effective operation and is expected to continue to do so.

The Sausalito City Manager has worked closely with Fire Chief and attended both District Board and fire merger committee meetings with sufficient frequency to have confidence that the District Board does exercise oversight and fiscal prudence in the same manner as might be expected of a City Manager exercising oversight. The City Manager and Three of the Five Council members have attended SMFD Board meetings and/or actively participated at joint Committee meetings comprised of Board members. All five Council members participated at the Joint meeting of the City Council and SMFD Board on June 21, 2011.

Staffing of a Reinstated Full City Fire Department

If the City has to reinstate its fire department, it will need to provide a Fire Chief, 3 shift assigned Battalion Chiefs and one clerk.

With current safety standards and liability, a fire department needs a certified and qualified incident commander at the scene of an emergency to direct the work of the firefighters. This requires availability of a Battalion Chief or similar title 24/7. Three Battalion Chiefs assigned to shifts are required to meet this responsibility and must be within a distance from the emergency that allows them to arrive at the same approximate time as the firefighters. This limits the opportunities for sharing Battalion Chiefs with neighboring fire agencies. Currently the only fire department near the City of Sausalito that has been both willing to share Battalion Chief services and is close enough to have the Battalion Chief arrive fast enough to assume effective control of the emergency scene is the Southern Marin Fire Protection District. They have been providing this service to the City under a contract that is nearly \$400,000 less than the actual fair share the City should be paying. This reduced price contract was both in recognition that the City several years ago was having financial difficulty and that the City and District would make reasonable progress toward a full merger of the two departments. The City, if it reinstated its own fire department with three Battalion Chiefs, could not effectively then share its Battalion Chiefs with other fire departments, again because of the challenge of being so far from the probable emergency location in other places in Marin County.

While it has been suggested that the clerk in a reinstated City Fire Department can be part time, the experience of almost all small fire departments is that a full time clerk is needed for the administrative work associated with training, equipment purchase and maintenance, payroll, benefits management, scheduling etc. Citygate Associates, who have been serving as consultants

to the City and District, have confirmed this as being their experience in multiple locations throughout California.

Why Can't the Southern Marin District Continue the Current Service with No or a Small Increase in Charge to the City

The District has been charging the City about \$108,000 per year. The formula only charged a portion of the Fire Chief's and administrative support staff wages, while in fact the City represents one-third of the fire stations being supervised. No charge was being made for the Battalion Chiefs that provided daily supervision to the City firefighters or the 24/7 emergency response, while the City represents 42% of the calls for service responded to by the combined City and District firefighters. If the District were willing to continue this arrangement, the cost would exceed \$500,000 per year. But in fact the District is not willing to do so, because it is not really operationally effective for them to continue supervising firefighters who are working under two different employment agreements, disciplinary and personnel rules, payroll systems, and hiring procedures.

An additional benefit from the agreement between the City and the District over the past several years has been the use of District personnel to often fill in for City Firefighter vacancies due to vacation and sick leave. This has reduced the City's overtime expenses. If the City has to reinstate its own fire department, overtime costs will rise or the City will need to hire additional firefighters to be available to fill in for the vacancies.

In order to obtain the assessment of a neutral third party of whether a merger still made sense, the City and District hired Citygate Associates, a highly respected consulting firm with an extensive fire service practice assessing mergers. While Citygate recommends both for and against merger in their studies of the best approach for two or more interested agencies, in the case of the City and Southern Marin Fire District, they concluded that merger was prudent and fiscally sound. This confirmed the direction that City and District elected officials had been pursuing since 2003.

Is the Annexation Fiscally Sound for both Agencies and Does it Reduce the Future Fiscal Flexibility of the City?

The City is currently devoting the equivalent of 55% of its property tax revenue to support a fire service consisting of only one fire station and 5 firefighters on duty each day. The cost effective result of annexation is that the City's costs will reduce \$184,000 per year and require the City to transfer to the District only 45% of its property tax allocation. The combination of property tax and other fire specific revenue such as ambulance revenue that would be received by the District after annexation covers all of the cost of the District absorbing the City's firefighters and assuming responsibility for maintaining and replacing all of the related fire equipment. Both agencies have concurred in the estimate of the amount and this has been independently verified

by Citygate Associates, the consulting firm that has been working closely with the City and the District and reviewing the City and district Audited financial statements and reviewing Actuarial studies provide by Bartel and Associates (all documents that are available to the public) to provide an experienced third party neutral assessment. These costs include pension and health benefit costs for current and future retirees.

Several months ago, the City and District had anticipated that the annexation would also be accompanied by an extension of the District parcel tax into the City (the amount of the tax on each parcel is a function of the number of units on each parcel). Both agencies agreed this was not necessary after the final costs associated with the transfer were calculated based on updated wage and benefit information, conclusion of contract arrangements with the employees on the conditions of employment transfer, and replacement of some outdated equipment.

While nominally the City Council does currently have the ability to determine that they want to reduce fire department expenditures and increase expenditures in other segments of the City, as a practical matter reinstating the City Fire Department will increase costs nearly \$1,400,000 per year just to maintain the present service level of five firefighters on duty each day. Since the City cannot afford this increase nor even a smaller one of over \$400,000 per year, they will be forced into the choice of reducing service levels somewhere in the City or asking the residents for a tax increase. It is important to note that due to regulatory requirements, minimum staffing levels, expensive vehicles and equipment, training requirements and workers compensation costs, fire services is usually not an area for cost saving without a reduction in the level of fire services. Since Sausalito is both a hillside and marina side community, has an aging population with a high rate of medical calls, and is a tourist destination that generates yet another set of calls for service, reducing daily fire staffing below the present 5 on duty each day is not practical.

Will Annexation Lead to a Tax Increase?

Annexation can be accomplished in a fiscally sound way for both agencies without a tax increase. This has been reflected in the annexation application, Plan for Service, analysis provided to the City Council and public and will be reviewed in the City's presentation to the LAFCO Board at the November 10, 2011 Public Hearing. Anytime in the future, should the Fire District Board determine that additional revenue might be necessary or desirable to increase service levels, the tax can only be increased if two-thirds of the voters approve.

Pay and Benefits for Transferred Firefighters

Both the City and District firefighters have supported the merger because it makes it more safe and effective for them to operate as a single fire department under unified supervision. The City firefighters have agreed to change from the retirement system they now have with the City (California Public Employees Retirement System) to the Marin County system that provides benefits for the District firefighters. In this move, the City firefighters have agreed to pay the

employee designated share of the annual retirement cost, which effectively reduces their overall pay by about 6.6%. But it additionally brings the retirement system for all firefighters to the reduced benefit level that most California fire agencies are trying to negotiate with their employees. This has been an amicable reform of the retirement package available to employees and at a cost savings.

Respectfully submitted,



Adam W. Politzer

City Manager